

## Message Text

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ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 /026 R

DRAFTED BY NEA/ARN:DERUTHER /AID/NE/ME:KTEIL:LF

APPROVED BY P:MR.HABIB

NEA:ALATHERTON, JR.

AID/AA/NE:RHNOOTER

S/S:MR. BRIDGES

DA/HA/ORM:JLCARLIN (SUBS)

EB/ORF:FRD:FSPILLMAN (SUBS)

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O 262233Z OCT 76

FM SECSTATE WASHDC

TO AMEMBASSY DAMASCUS IMMEDIATE

S E C R E T STATE 264175

EXDIS, FOR THE AMBASSADOR FROM HABIB AND NOOTER

E.O. 11652: XGDS-4

TAGS: ECON, PFOR, SY, LE

SUBJECT: SARG ECONOMIC TROUBLES AND USG ASSISTANCE

REF: (A) DAMASCUS 7062, (B) DAMASCUS 7083

1. WE AGREE THAT IN DEALING ITH SYRIA'S PRESENT ECONOMIC DIFFICULTIES--THE REAL PAY DIRT IS NOT IN WHAT WASHINGTON MAY BE ABLE TO DO, BUT RATHER WHAT SAUDI ARABIA AND THE GULF STATES ARE DOING, OR MAY BE ENCOURAGED FURTHER TO PROVIDE. IT APPEARS LIKELY TO US THAT SAUDI ARABIA IN PARTICULAR WILL BE RELATIVELY MORE DISPOSED TO HELP SYRIA IN THE WAKE OF THE RIYADH ACCORDS, BUT IT MAY BE INADEQUATE TO PRESENT NEEDS OR SLOW IN COMING. ALL OF US WILL HAVE TO BE ALERT FOR INFORMATION ON SAUDI INTENTIONS.

2. WE MAY, HOWEVER, BE ABLE TO ASSIST SYRIA IN SOME WAYS LISTED BELOW. YOU ARE AUTHORIZED TO EXPLORE WTTM MINECON  
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IMADI (AND POSSIBLY KHADDAM IF YOU CONSIDER IT USEFUL) THE

IDEA, CONTAINED PARA. 3, RE SHTFTNG ALL OR PART OF DOLS.  
80 MILLION FY 77 PROGRAM TO CIP. YOU CAN SAY THAT, UTILIZ-  
ING EXISTING RESOURCES AND PROGRAMS (SUPPORTING ASSISTANCE,  
PL 480, CCC, WFP, ETC.) WE ARE IN PRINCIPLE PREPARED  
TO BE AS HELPFUL AS POSSIBLE. WE WOULD LIKE YOUR  
- - -

COMMENTS ON IDEAS CONTAINED PARA 5 BEFORE AUTHORIZATION  
YOU TO GO INTO SUCH POSSIBILITIES WITH IMADI.

3. ALTHOUGH NOT PARTICULARLY SIMPLE TO MANAGE,  
IT WOULD BE POSSIBLE, SUBJECT TO CONGRESSIONAL  
NOTIFICATION, TO SHIFT PART OR ALL OF FY 77 PROGRAM IN  
FAVOR OF BROADENED CIP, CIP POSITIVE LIST WOULD CONTAIN  
GOODS THAT WOULD BE SAID TO MEET DIRECT OR INDIRECT NEEDS  
OF ECONOMY RELATED TO INCREASED DEMAND FOR GOODS STEMMING  
FROM REFUGEE INFUX. WOULD NEED MORE INFO THAN NOW AVAIL-  
ABLE HERE ON SARG DOMESTIC SUPPLY SITUATION AND IMPORT  
DATA. ALSO WOULD LIKE TO OBTAIN SARG ASSURANCE THAT PRO-  
CUREMENT PROCEDURES WOULD BE EXPEDITED, PERMITTING US TO  
MOVE FASTER THAN HAS BEEN CASE WITH EARLIER LOANS.

4. WE BELIEVE THAT WE COULD MAKE A CREDIBLE JUSTIFICATION  
TO CONGRESS FOR SHIFT IN THE COMPOSITION OF FY 77 ECONOMIC  
ASSISTANCE PROGRAM, EXPLAINING THAT INFUX OF 500,000 -  
ONE MILLION PEOPLE FROM LEBANON HAS CREATED STRAINS ON THE  
SARG ECONOMY AND THAT OUR SHIFT OF ASSISTANCE WILL EASE  
PRESSURES ON SARG'S FOREIGN EXCHANGE RESERVE.

5. WE ARE ALSO LOOKING INTO THE POSSIBILITY OF OUR BEING  
ABLE TO COME FORTH WITH SOME ADDITIVE FORMS OF ASSISTANCE.  
THESE WOULD INCLUDE:

(A) EXECUTION OF AN EXPORT COMMODITY CREDIT CORPORATION  
SALES PROGRAM, REPAYABLE IN DOLLARS OVER A THREE-YEAR  
PERIOD. TERMS INCLUDE A ONE-YEAR GRACE PERIOD AND PAYMENT  
OF 1/3 OF PRINCIPLE AND ACCRUED INTEREST AFTER 12, 24 AND  
36 MONTHS RESPECTIVELY. AT LEAST 10 PERCENT OF THE CREDIT  
MUST BE ACCEPTED BY A U.S. BANK. INTEREST RATES ARE 8  
PERCENT ON THE PORTION OF THE CREDIT ACCEPTED BY U.S. BANKS  
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AND 9 PERCENT ON THE AMOUNT HANDLED BY FOREIGN BANKS.  
AVAILABLE COMMODITIES WOULD INCLUDE, BUT ARE NOT LIMITED  
TO: WHEAT, RICE, VEGETABLE OIL, SOYBEANS AND TALLOW.

(B) EXPANSION OF PL-480 TITLE I PROGRAM. EFFORTS IN THIS  
DIRECTION ARE HAMPERED BY FACT THAT PROGRAM FACES LEGIS-  
LATIVE CONSTRAINT WHICH ALLOWS NO MORE THAN 25 PERCENT OF  
AVAILABILITIES GOING TO COUNTRIES WITH PER CAPITA INCOMES

IN EXCESS OF DOLS 300. AT THE MOMENT THE QUOTA FOR HIGHER INCOME COUNTRIES IS ALREADY FULLY PROGRAMMED, AND AN INCREASE FOR SYRIA COULD ONLY BE ACHIEVED BY REDUCING ALLOCATIONS MADE ELSEWHERE. IN ANY EVENT, WE ARE TRYING TO EXPEDITE THE INTERAGENCY APPROVAL AND OTHER NECESSARY PROCESSES FOR CARRYING OUT SYRIA'S PRESENTLY-PROGRAMMED TITLE I PROGRAM AT THE DOLS 10 MILLION LEVEL.

(C) TITLE II, PL-480. UNDER SUCH AGREEMENT, FOODSTUFFS COULD BE PROVIDED FOR THE DESTITUTE AMONG THE PEOPLE WHO HAVE FLED LEBANON OR WHO REMAINED IN THE LEBANESE AREAS UNDER SYRIAN CONTROL. IN THE ABSENCE OF U.S. OR OTHER SUITABLE VOLAGS TO HANDLE DISTRIBUTION OF SUCH FOODSTUFFS, WE THEORETICALLY COULD NEGOTIATE AN AGREEMENT UNDER WHICH THE SARG ITSELF WOULD ACT AS THE CONTROL AGENCY. THIS WOULD, HOWEVER, ACCORDING TO OUR LAWS AND REGULATIONS, REQUIRE THE SARG TO SET UP A COMPLICATED DISTRIBUTION MECHANISM WITH RATION CARDS, COMPLIANCE REPORTING, ETC. PRACTICALLY SPEAKING, IT MIGHT BE TOO MUCH FOR A SYRIAN GOVERNMENT STRAINED BY OTHER REQUIREMENTS TO UNDERTAKE; HOWEVER, WE WOULD WANT IMADI TO KNOW THAT WE ARE IN PRINCIPLE PREPARED TO CONSIDER SUCH AN ARRANGEMENT

(D) WORLD FOOD PROGRAM. UNDER THIS PROGRAM THE U.S. GOVERNMENT PROVIDES WFP WITH PLEDGES OF UNEARMARKED COMMODITIES. SARG WOULD MAKE AN APPEAL DIRECTLY TO WFP OR ITS REPRESENTATIVES FOR EMERGENCY SUPPLIES. THE U.S. GOVERNMENT COULD UNOFFICIALLY NOTIFY WFP/ROME THAT IT SUPPORTS THE SYRIAN REQUEST AND WOULD BE WILLING TO HAVE COMMODITIES MADE AVAILABLE TO MEET THE SYRIAN REQUEST AS A DRAW-DOWN FROM THE U.S. PLEDGE. FROM THE SARG POINT OF VIEW, THIS MIGHT BE A BETTER ALTERNATIVE THAN (C) ABOVE, SINCE THE CONTROL AND DISTRIBUTION REQUIREMENTS ARE NOT

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QUITE AS DEMANDING. ALSO, WE HAVE REASON TO BELIEVE THAT A FAIRLY RAPID DELIVERY OF COMMODITIES WOULD BE POSSIBLE UNDER THIS ARRANGEMENT.

(E) DISASTER RELIEF. THE USE OF THESE FUNDS IS MORE DIFFICULT AS THEY ARE INTENDED BASICALLY FOR IN-COUNTRY RELIEF TO VICTIMS OF MAN-MADE OR NATURAL DISASTERS. IN THE CASE OF PERSONS WHO HAVE CROSSED INTO ANOTHER COUNTRY, THE DEPARTMENT'S BUDGET FOR REFUGEE AND MIGRATORY AFFAIRS PROBLEMS (ORM) THEORETICALLY COULD BE USED FOR CERTAIN HUMANITARIAN AND RELIEF ACTIVITIES. ORM'S BUDGET IS ALMOST FULLY COMMITTED AND THERE MAY BE CONGRESSIONAL INHIBITIONS ABOUT PROVIDING AID ON A BILATERAL BASIS FOR LEBANESE IN SYRIA.

6. WITH RESPECT TO POSSIBLE CASH GRANT FOR BUDGET SUPPORT, GIVEN UNPOPULARITY SUCH PROCEDURE WITH CONGRESS, WOULD NOT WANT TO PROCEED THIS DIRECTION. ALSO PREFER NOT RPT NOT TO SHIFT UNEXPENDED BALANCES FROM FY 1975, 1976, AND TQ FUNDS TO EXPANDED CIP TO MEET SYRIAN PROBLEMS.

7. RE FY 77 RELIEF AND REHABILITATION ASSISTANCE TO LEBANON (SEE PARA 7 REF B), CURRENT BUDGET FOR ASSISTANCE TO LEBANON IS DOLS 20 MILLION. THE USE OF THESE FUNDS IS

RESTRICTED TO RELIEF AND REHABILITATION PROGRAMS IN LEBANON AND CANNOT BE USED FOR SYRIAN PROGRAMS, ACCORDING TO OUR PRESENT READING. KISSINGER

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